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OFFICE OF CHINESE AFFAIRS
 FOREIGN SERVICE DESPATCH
 FEB 16 1954

793.00/2-154

FROM American Embassy, Taipei.

DESP. NO. 435

TO THE DEPARTMENT OF STATE, WASHINGTON.

REF Taipei's Despatch No. 342, December 1953.
Dr. WANG Shih-chieh.

34 For Dept. Use Only	ACTION FE-2	DEPT. DC/R-2 021-6	REVIEWED BY <i>P. Apter</i> DATE <i>7/9/82</i>
	REC'D 2-11	OTHER CIA-7 ARMY-3	EXT. DATE AIR-3 REASON(S)

SUBJECT: Ex-Governor K. C. WU Comments
Corruption.

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Among the many rumors set afloat by the summary dismissal of Dr. WANG Shih-chieh was one to the effect that Dr. Wang, as Presidential Office Secretary-General, had improperly authorized ex-Governor K. C. WU to transfer to the United States a large sum of money -- US\$500,000 being the figure usually mentioned. Ancillary to this report has been the charge that Wu has been living in luxury and ease in America.

In the foregoing regard special interest attaches to statements made by Wu in a personal letter of January 20 to Counselor Howard P. JONES. Referring to an article in the Chinese Journal, "a daily published by Kuomintang in New York and at present under the influence of Chiang Ching Kuo", Wu wrote:

"It (Chinese Journal) went on and said that when I resigned from the Governorship and planned to come to the United States, the Gimo granted me U. S. \$7,000 for my travelling expenses. I considered the money insufficient and discussed with Wang. So Wang, on his own authority, allocated to me another \$50,000 out of the \$500,000 deposit in the Bank of Taiwan. This becomes known to many Americans. When Senator Knowland visited Formosa, he brought the matter to the attention of the Gimo. Hence the dismissal of Wang.

"This is, of course, entirely fabricated. With the exception of \$5000 which I was permitted to purchase with my own Taiwan money from the Bank of Taiwan by Premier Chen Cheng, I have neither asked for nor got granted a cent from the funds of the Chinese Government. The Gimo did not give me a dollar, and you can readily understand why. And I never discussed the matter of my travelling expenses in any way with Wang. As to the story of Knowland's spreading that false information, you know better than I how truth it can be. The rumours had it first that it was Vice-President Nixon, and then Judd, and then Knowland. I can easily have the story checked from this end, but I just fall shy of washing the dirty linen of Chinese politics in Washington.

WRinden:jp
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"Then there is another side-light. After having heard those rumours, on January 2 I wrote a letter to the Secretary General of Kuomintang, Mr. Chang Ch'i-yun, as a member of the Party and asked him to request the Gimo to order a thorough investigation into my so-called "corruption charges". But a very strange answer came yesterday. He said that he had reported to the Gimo and the Gimo said that as the rumours are all unfounded I should not pay them any attention. He further advised me that it is the Gimo's desire that I should return to Taiwan before February 10th in order to attend the plenary session of the Kuomintang. Now, this is curious. The rumours had risen to such serious proportions that they became an issue in the National Assembly and the Legislative Yuan. Why does the Government refuse to have a thorough investigation? If it knows that there is no truth in the rumours, why does it not do anything to clear my name? I asked explicitly for it, and yet it was brushed aside.

"I know that my mails are being censored. Some of the letters which I wrote to my relatives and some of their letters to me have simply disappeared on the way. So through a devious channel I have sent a draft for advertisement in the Chinese newspapers of Taiwan to my father and requested him to have it advertised in all the important newspapers. I have a hunch that this may reach him and that he may succeed in placing the advertisement in some papers. I am sending a copy of the draft to you."

A translation of the notice Wu proposes to have carried in leading newspapers on Formosa is given below:

"During my sojourn abroad, rumors have reached me to the effect that I acquired by improper means a large sum of foreign exchange and that the dismissal of Wang Shih-chieh, former Secretary General of the Presidential Office, was connected with this matter.

"I wish to point out that my present visit to the United States was authorized by President Ch'en of the Executive Yuan. The sum of US\$5,000 for my traveling expenses was purchased from the Bank of Taiwan with my personal funds. Other than that, not a single cent of official funds was granted or allotted by the Government or any official of the Government. No request for funds was ever made, nor was the matter ever mentioned to Dr. Wang.

"Upon hearing the rumor, on January 2, as a member of the Kuomintang, I requested the Director General of the Party through Secretary-General Chang Ch'i-yun to make known to the public the true facts after a thorough investigation had been made.

"As to my life in the United States, except for a period last summer when I was in the mountains in western United States for recuperation and medical treatment of asthma under the

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doctor's orders, since last October I have been staying in an apartment house in Evanston, Illinois, occupying two rooms with a small kitchen. During this period my wife has been doing the cooking while I myself wash the dishes. Due to shortage of travel funds, I accepted more than twenty invitations to deliver speeches, receiving about US\$450 for each speech. The delivery of these speeches was partly for the purpose of maintaining my livelihood and partly for publicity purposes for the Chinese nation as a part of the duties of a Chinese citizen. To fulfill my speech engagements, I have been to New York City on four occasions and for all these visits, the expenses for board and lodging were paid by those who invited me to speak. At the Waldorf, the so-called most luxurious hotel in the U.S., I delivered two speeches and made one broadcast, but on no occasion did I stay in that hotel. There is no use trying to lie as these visits were well known to the Chinese people and American friends here.

"I have served my country for over twenty years and have been honest all my life. I have never committed any malpractice. If anyone seeks to exploit the present period of national difficulty for his own gain and misappropriates public funds, he is unworthy to be called a man. As we are separated by the ocean and as I fear that false reports may give rise to still more rumors, I deem it necessary to issue this public statement. Anyone may bring charges against me and the Government may appropriately deal with me if the investigation shows that I have been guilty of wrongdoing."

COMMENT:

During his period as Governor of Formosa and as Chairman of the Economic Stabilization Board, Dr. K. C. Wu was well known to a number of Americans in the Embassy, MSA and MAAG both socially and, more importantly, through official dealings. They have found incredible rumors that he had connived with Dr. Wang Shih-chieh (also an official with a high reputation for probity) to transfer a large sum of money to the United States for Wu's personal use. These circumstances, as well as various other aspects of this situation, make it easy to give full credence to the statements made by Wu in the above-mentioned letter.

Copies of this despatch have been pouched to Tokyo and Hong Kong.

K. L. Rankin

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